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State Dept. review completed

DIA review(s) completed.

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GENERAL

1. Relaxation of China trade sanctions after Korean armistice foreseen:

25X1 [REDACTED] A British Foreign Office official predicts early relaxation by smaller UN nations of restrictions on trade with Communist China following a Korean armistice. The Foreign

Office doubts that Britain will be able to hold the line in controlling trade with China if other nations relax.

Comment: Various of the smaller nations' delegates on the China Committee, particularly the Danish, have repeatedly questioned whether the committee's work on determining embargo criteria for China will continue after a truce in Korea.

SOVIET UNION

2. Comment on 1953 Soviet state loan:

The Soviet announcement of a 1953 state loan only half as large as the 1951 and 1952 loans suggests that the Malenkov regime has gone even further than previously indicated in shifting resources from heavy industry production to consumer goods. The loan is as much a means of limiting consumer purchasing power as it is of obtaining funds for "development" of the national economy.

In the past two years, the state loan has provided about seven percent of budgetary revenues. The bonds will theoretically be redeemable in 1973, but in the past such loans have in effect been repudiated before the redemption date, as in the case of Czechoslovakia's recent currency reform. These "voluntary" loans are always oversubscribed because they are collected automatically by payroll deductions.

FAR EAST

3. South Korea reportedly able to return majority of escaped prisoners:

25X1 [redacted] Ambassador Briggs reports that information [redacted] indicates that the South Korean government is probably capable of returning a majority of the escaped POW's to UN Command custody. The prisoners, whom the Rhee government apparently intends to conscript for labor and military service, are believed to be in hiding near the camps from which they escaped while awaiting identification cards and further orders from government officials. Many local residents reportedly are reluctant to assist prisoners because of the expenses involved and fear of UN reprisals.

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[redacted]

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4. Peiping approaches India for information on Korean prisoners:

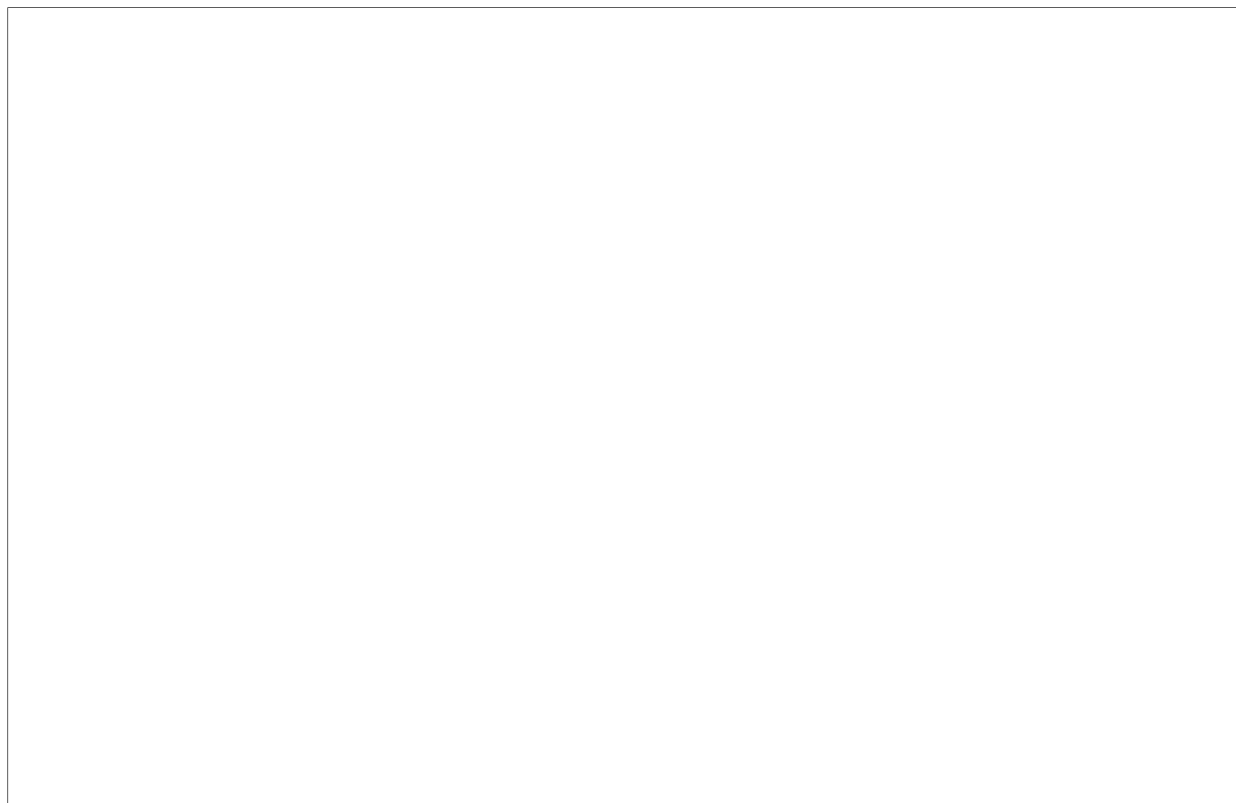
25X1 [redacted] Communist officials, according to Prime Minister Nehru, have indicated to the Indian embassy in Peiping their "great concern" as to whether all Korean prisoners unwilling to be repatriated have been released, and whether those released are being impressed into the South Korean armed forces.

The Chinese professed to need assurances on these points as bearing on the good faith and ability of the UN Command to fulfill the draft armistice terms.

Comment: Approximately 8,000 prisoners who are unwilling to be repatriated remain under UN Command control, according to a press report of 23 June.

[redacted]

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6. British minister to South Korea sees drastic UN retaliation necessary:



The view of the British minister to South Korea is that UN "retaliation" must be drastic if it is to be effective, the US embassy in London reports. This view

is based on the minister's belief that South Korean opinion is strongly behind Rhee and that "pinpricks" would serve only to increase Rhee's following and to strengthen his determination to go his own way.

Comment: While the Korean people are behind Rhee on the POW release, Ambassador Briggs has reported that the Korean people are apathetic and would probably accept a UN-sponsored truce despite their bitterness over Korea's continued division.



SOUTHEAST ASIA

7. French high commissioner fears Cambodian unrest and favors grant of independence:

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The French high commissioner in Phnom Penh told the American charge on 22 June that he fears the king may have so excited the Cambodian people that it will be difficult to keep control until a French government can act. He believes that once France has a government, differences with Cambodia can be settled and he is prepared to go to Paris to argue the need for Cambodian independence.

The charge noted that the king's actions were apparently producing results, since the high commissioner had not previously spoken so resignedly regarding Cambodian demands.

Comment: While there is no evidence of an imminent revolt in Cambodia, the king's increasing association with anti-French elements and a sense of frustration might impel him to initiate an uprising unless very substantial concessions are soon granted.

A French government could scarcely consider granting independence to Cambodia until it is ready to grant it to Vietnam and Laos also.

NEAR EAST - AFRICA

8. Resignation of Iranian oil sales director caused by failure of government's oil policy:

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Abbas Parkhideh, sales director of the National Iranian Oil Company, told an American embassy official that he resigned on 17 June in order to escape being made the scapegoat for the failure of his government's oil policy.

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Parkhideh said prospects for oil sales were very dim in the absence of a settlement with the British because Japan will not allot more foreign exchange to buy Iranian oil and Italy refuses to issue import licenses for the oil.

Comment: The resignation of Parkhideh, who has been the key figure in Iranian attempts to sell oil, is strong evidence of the bankruptcy of Mossadeq's oil policy and may foreshadow greater financial difficulties for Iran.

9. India and Pakistan unable to promote reopening of Suez talks:

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Pakistan's prime minister and its minister of foreign affairs have not offered Egypt a formula for solving the Anglo-Egyptian controversy, and India is not expected to present one either, according to the Egyptian foreign minister.

Conversations in Cairo among the Pakistanis, British and Egyptians were encouraging, but elicited no promises from either Egypt or Britain, according to the Pakistani foreign minister.

Comment: Both Egypt and Britain have hoped that Indian and Pakistani intervention would at least lead to reopening the Suez negotiations, which were suspended on 6 May.

There are indications that Egypt will keep its internal situation under control until after the Bermuda conference, where it hopes the Suez issue will be discussed.

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11. Libyan king and prime minister reportedly reach agreement:

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Prime Minister Muntasser of Libya has indicated to American minister Villard in Tripoli that he has reached an understanding with King Idriss and does not intend to resign at present.

Muntasser stated that he expected to conclude negotiations with Britain regarding a base agreement in approximately 10 days and would then be prepared to open similar talks with the United States.

Comment: While Muntasser's position at the head of the government seems assured for the time being, there is no indication that he and the king have resolved their basic differences and that the monarch will discontinue his interference in the country's affairs. This fact and Muntasser's overoptimism make it premature to consider that Libya will soon reach an agreement with Britain and the United States on the base negotiations.

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EASTERN EUROPE

12. Comment on cancellation of Albanian agricultural debts:

The cancellation of accumulated debts of the Albanian peasantry for the years 1949 through 1952, decreed by the Albanian Council of Ministers on 22 June, is the first relaxation of the socialization program in any of the Satellites except East Germany since Stalin's death. This announcement marks a reversal of agricultural policy in Albania, where as recently as 19 May the Council of Ministers decreed that unfulfilled collection quotas for 1952 were to be met by the peasants in addition to those for 1953.

According to the new decree, unfulfilled payments of cereals, vegetables, fodder crops, and dairy products are to be cancelled. The announcement also called for the immediate revamping of crop collection legislation, "in connection with other favorable measures to the peasantry."

13. No disturbances observed in Poland following East German outbreaks:

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No unusual security precautions were observed in Poland by an officer of the American embassy in Warsaw who traveled from Berlin to Warsaw on 22 June. This contrasts with the Russian soldiers stationed at strategic points along the rail line in East Germany.

Other officers of the embassy who just completed three-day automobile trips through southern and western Poland reported that they had observed no indications of disturbances.

Comment: It is in this area of Poland, as well as in Warsaw, that a tightening of security would be expected to occur first if the regime were fearful of spontaneous outbreaks. No popular demonstrations or increased security measures have been reported in any of the Satellite countries following the East German demonstrations, although the news spread quickly throughout the Communist bloc.

WESTERN EUROPE**14. Churchill's motives in anticipated British policy statement assessed:**

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Chancellor of the Exchequer Butler states that Prime Minister Churchill will almost certainly make a foreign policy declaration before leaving for Bermuda in which he will again express an "independent" British attitude. Butler observes that Churchill's statement will be aimed at convincing public opinion that Britain is cooperating with the United States as an independent, if not equal partner. Such statements will in no way affect the British government's "complete devotion" to Anglo-American cooperation as fundamental to its foreign policy.

Ambassador Aldrich comments that Churchill is impelled to assert his "independence" by domestic political considerations, his concept of his own historical role, and strong Commonwealth support. He feels confident that the prime minister greatly desires the Bermuda conference to reaffirm the identity of British and American objectives.

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